

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 SS-15 NSC-05 /068 W
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P R 120440Z JUL 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 6054

INFO AMEMBASSY SEOUL

TUMTBK/AMEMBASSY BANGKOK 2536

AMEMBASSY MANILA

C O N F I D E N T I A L TAIPEI 4222

EO 11652 GDS

TAGS ETRD TW

SUBJECT: COTTON CONTRACT PROBLEM

REFERENCE: STATE 162191

1. AT JULY 11 MEETING WITH Y.T. WANG (WANG I-TING),
DIRECTOR OF BOARD OF FOREIGN TRADE, ECON COUNSELOR AND
AG ATTACHE EXPRESSED DEEP CONCERN OF USG AT POOR
PERFORMANCE RECORD OF TAIWAN MILLS IN OPENING L/C'S
ON PAST DUE CONTRACTED COTTON. WANG WAS REMINDED
OF ASSURANCE GROC GAVE IN MARCH 1975 AND TAIWAN'S
CURRENT POSITION WAS CONTRASTED WITH THAT OF KOREA
AND PHILIPPINES.

2. WANG ADMITTED DELINQUENCY OF TAIWAN MILLS.
BOFT STAFF HAS BEEN MEETING ALMOST DAILY WITH TAIWAN
COTTON SPINNERS ASSOCIATION (TCSA) IN EFFORT TO
PERSUADE MILLS TO OPEN L/C'S PROMPTLY AND MEMORANDUM
TO EMBASSY ON RESULTS THOSE CONSULATIONS WOULD BE
DELIVERED SHORTLY. WE TOLD WANG THAT EMBASSY HAD
HEARD THAT DELINQUENT MILLS WERE REQUESTING DELAY IN
OPENING L/C'S BY AS MUCH AS 18 MONTHS. IF BOFT
MEMORANDUM CONTAINED SUCH A REQUEST, EMBASSY WAS
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POSITIVE IT WOULD BE REJECTED IN WASHINGTON AND

PRESSURES FROM AMERICAN COTTON SHIPPERS' ASSOCIATION FOR PUNITIVE MEASURES AGAINST TAIWAN TEXTILE INDUSTRY COULD ESCALATE COTTON CONTRACT PROBLEM INTO POLITICAL ISSUE. WE SUGGESTED TO WANG THAT HE MIGHT WISH TO NOT SEND A MEMORANDUM IF IT CONTAINED REQUEST FROM MILLS FOR DELAY AND HE AGREED SUCH A MEMORANDUM WOULD NOT BE SENT.

3. PER PARA 3 OF EFTTEL, EMBOFFS POINTED OUT TO WANG THAT SINCE BOFT EFFORT TO PUT PRESSURE ON MILLS BY WITHHOLDING IMPORT LICENSES FOR RAW COTTON HAD NOT HAD DESIRED EFFECT, STRONGER MEASURES UNDOUBTEDLY WERE NECESSARY, INCLUDING, INTER ALIA, REFUSING TO RELEASE TO MILLS COTTON HELD BY BANK OF TAIWAN (BOT) AND REFUSING TO GRANT EXPORT LICENSES FOR TEXTILE MILL PRODUCTS. WANG AVERRED THAT BOFT HAS NO AUTHORITY TO ORDER BOT NOT TO RELEASE COTTON AND DECISION TO WITHHOLD EXPORT LICENSES IS FRAUGHT WITH SUCH DOMESTIC, POLITICAL AND SOCIAL RAMIFICATIONS THAT COULD ONLY BE TAKEN AT A HIGH LEVEL.

4. WANG SUGGESTED THAT PERHAPS IT WAS TIME TO TAKE ENTIRE MATTER UP AGAIN WITH MINISTER OF ECONOMIC AFFAIRS, Y.S. SUN (SUN YUN-HSUAN) SINCE BOFT EFFORTS TO PRESSURE MILLS INTO OPENING L/C'S HAVE BEEN UNAVAILING. EMBASSY WILL ARRANGE MEETING WITH MINISTER AS EARLY NEXT WEEK AS POSSIBLE.
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